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WATER/SNR/PTL/HJL:jlj

AGENDA ITEM #4796

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4550
August 25, 2005**

RESOLUTION

**(RES. W-4550), ARROWHEAD MANOR WATER COMPANY, INC.
(AMWC). ORDER AUTHORIZING AN OFFSET RATE INCREASE OF
\$91,952 OR 25.5% IN ADDITIONAL REVENUE DUE TO CONTRACT
WORK AND PURCHASED WATER COSTS.**

SUMMARY

By Advice Letter No. 58-W, filed on May 27, 2005, AMWC seeks to increase rates by \$91,952 or 25.5% to recover expenses incurred in contract work and purchased water costs. The increase will not result in a rate of return greater than the last authorized for AMWC.

BACKGROUND

AMWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset \$91,952 increase in contract work and purchased water costs.

The present rates of AMWC became effective on July 13, 2004, pursuant to Res. No. W-4481, which authorized an offset rate increase of \$46,971 or 10.21% in additional revenue due to offset contract work and purchased water costs.

AMWC is requesting to recover the \$91,952 or 25.5%, over twelve bimonthly billing periods at the rate of \$25.12 per customer per period. Decision 00-07-036 authorized recovery of the under collection in the contract work and purchased water costs memorandum accounts.

On July 17, 2002 through D.02-07-009, the Commission directed the General Counsel to petition the Superior Court to appoint a receiver (Ordering Paragraph B). On February 24, 2003, the Superior Court of San Bernardino County appointed John W. Richardson as Receiver for AMWC. Mr. Richardson is working with AMWC's existing employees to operate the water system until he can arrange for its sale.

DISCUSSION

D.00-07-036, dated July 20, 2000, which authorized an interim general rate increase of 87.6%, also authorized AMWC to establish and maintain a purchased water memorandum account and a contract repair work memorandum account to track actual purchased water and contract work expenditures beginning with the effective date of the increased rates. Additionally, D.00-07-036 authorized AMWC to file advice letters by January 31 and July 31 each year seeking Commission approval for a customer billing surcharge or surcredit to collect or refund the accumulated amounts by which its actual, reasonable purchased water and contract repair work expenses in the memorandum accounts as of the preceding December 31 or June 30 deviate from the currently authorized amounts.

On October 25, 2003, part of San Bernardino County was devastated by a fire that lasted about ten days. Due to the fire, AMWC lost 322 active service connections. AMWC spent several months in 2004 replacing and/or repairing the water plant destroyed by the fire. Most of this work was financed with insurance proceeds. Advice letter No. 58 requests a surcharge to recover purchased water and contract work repairs incurred during the period January 1, 2004 through December 31, 2004. No repairs or purchased water related to the October 2003 fire are included in this request. In this filing AMWC is requesting a one-time surcharge of \$301.48 to be recovered over a period of two years at the rate of \$25.12 per customer per bi-monthly billing period for a total \$91,952 recorded in the purchased water and contract repair work memorandum accounts from January 1, 2004 through December 31, 2004.

NOTICE AND PROTESTS

Notice of the proposed rate increase was mailed to all customers on June 30, 2005, via US Mail. No letters objecting to the increase have been received by the Water Division.

FINDINGS

1. Decision 00-07-036, dated July 20, 2000, which authorized a general rate increase of 87.6%, also authorized AMWC to establish and maintain a purchased water memorandum account and a contract repair work memorandum account to track actual purchased water and contract work expenditures beginning with the effective date of the increased rate authorized in Decision 00-07-036.
2. Decision 00-07-036 authorized Arrowhead Manor Water Company to file advice letters by January 31 and July 31 each year seeking Commission approval for a customer billing surcharge or surcredit to collect or refund the accumulated amounts by which its actual, reasonable purchased water and contract repair work expense in the memorandum accounts as of the preceding December 31 or June 30 deviate from the current authorized amounts.
3. No repairs or purchased water incurred due to the October 2003 fire are included in this request.
4. AMWC requests a surcharge of \$301.48 to be collected over twelve bimonthly billing periods at the rate of \$25.12 per customer per period, to recover a total of \$91,952 recorded in the purchased water and contract repair work memorandum accounts from January 1, 2004 through December 31, 2004. These purchased water and repair costs, exceeded the amounts currently authorized for purchased water and contract repair work over that same period of time.
5. The Commission finds, after investigation by the Water Branch, that the rate increase hereby authorized is justified, and that the resulting rate is just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Arrowhead Manor Water Company to make effective the revised rate Schedules Nos. 1A, Annual Metered Service; and 2RA, Annual Residential Flat Rate Service, attached to Advice letter No. 58-W, and to cancel its present effective rate schedules. The effective date of the revised rate schedules shall be five days after the date of this resolution.
2. Arrowhead Manor Water Company is directed to continue maintaining a balancing account as required by Public Utilities Code Section 792.5 and memorandum accounts as required by Decision No. 00-07-036.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 25, 2005. The following Commissioners approved it:

STEVE LARSON
Executive Director